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Eric J. Branfman
Direct Phone: 202.373.6553
Direct Fax: 202.373.6415
eric.branfman@bingham.com

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Via ECFS

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Room TW-A325
Washington, D.C. 20554

Re: Notice of Ex Parte Communication, Applications of AT&T Inc. and Deutsche Telekom AG for Consent to Assign or Transfer Control of Licenses and Authorizations - WT Docket No. 11-65

Dear Ms. Dortch:

On August 11, 2011, Lynn Refer, Chief Executive Officer, Telecom Transport Management, Inc. ("TTM") met in person with Gregory Rosston of the Economics Bureau to discuss the above-referenced proceeding. Participating by teleconference were Melissa Tye, Patrick DeGraba, Paul Murray and Weiren Wang of the Wireless Telecommunications Bureau and Joel Rabinovitz of the Office of General Counsel and the undersigned, counsel for TTM.

During the August 11, 2011 meeting, the FCC representatives asked TTM to provide a follow-up letter outlining its position on certain issues in more detail. This letter responds to those inquiries.

1. The FCC Staff asked TTM to describe any differences in its dealings with AT&T as purchaser of wireless backhaul in the region in which Verizon is the incumbent LEC and the region in which CenturyLink is the incumbent LEC. To begin, the Verizon ILECs are affiliated with Verizon Wireless, which is currently the largest wireless carrier, while CenturyLink is not affiliated with any wireless carrier. Therefore, in its ILEC region, Verizon has a large captive customer for wireless backhaul in the form of its wireless affiliate. Because of economies of scale in providing wireless backhaul to multiple wireless carriers on a single cell site, this gives Verizon an advantage over other providers in bidding to provide backhaul to other wireless carriers in the Verizon ILEC region. ***BEGIN CONFIDENTIAL***

Bingham McCutchen LLP
2020 K Street NW
Washington, DC
20006-1806

T +1.202.373.6000
F +1.202.373.6001
bingham.com

END CONFIDENTIAL TTM is naturally concerned that if AT&T acquires T-Mobile, which is a large backhaul customer of TTM, AT&T will handle T-Mobile's backhaul purchases in Verizon ILEC territory the same way that it has been handling AT&T Mobility's purchases of wireless backhaul in Verizon ILEC territory.

2. The FCC Staff asked TTM to expand on its response to T-Mobile's assertion that when it puts backhaul projects out for bids, it typically receives many bids. Specifically, ¶ 5 of Mr. Mayo's declaration stated that "T-Mobile USA has been able to choose from among backhaul options offered by various providers." TTM's response is two-fold. First, to the extent that multiple backhaul providers have been willing to bid to provide backhaul to T-Mobile's sites, that reflects their capability, given payment of the amount set forth in their bids, to construct new facilities to serve T-Mobile, in the expectation that once they have installed facilities to those sites, they will be able to capture enough demand from other wireless providers located on the same sites to make a profit. Typically, except for the incumbent LEC, bidders have not yet built facilities and incurred the sunk costs of installing facilities located at those sites, and therefore they do not represent the type of competition that can effectively constrain the price demanded by the incumbent LEC, which typically, at least in the case of AT&T and Verizon, each of which has a captive wireless affiliate, has already incurred those sunk costs. The fact that TTM and other backhaul providers have been willing to bid on new sites in response to an RFP from T-Mobile does not mean that they would be willing to bid on new sites in response to an RFP from MetroPCS, Leap Wireless, U.S. Cellular, or another smaller wireless carrier. Those smaller carriers do not generally purchase enough capacity to justify building to new cell sites.

Second, Mr. Mayo's Declaration speaks to the situation prevailing prior to the proposed purchase of T-Mobile by AT&T. An independent T-Mobile can serve as an "anchor tenant," purchasing backhaul from independent backhaul provider that can serve as a base to enable the provider to sell backhaul to Sprint or a smaller wireless provider, enabling the backhaul provider to serve an average of 1-1/2 or 2 carriers per site and achieve profitability. Once T-Mobile has been swallowed up by AT&T, TTM and other independent backhaul providers will be much less likely to bid to provide backhaul to Sprint or a smaller wireless carrier. That is because the removal of T-Mobile's demand reduces the probability that the backhaul provider will be able to serve multiple carriers at any given site and receive sufficient revenue to reach profitability and reasonable return of invested capital. This undermines the critical economies of scale, and is likely to convert what was a prudent investment in construction of facilities into an imprudent one.

3. The FCC Staff asked TTM to describe the changes in the dynamics of the backhaul market that it anticipates would result if the merger takes place. In response to

this question, TTM refers to its response to # 2, above. In addition, all competitive backhaul providers would have a significantly smaller market to address for backhaul post-merger, especially if AT&T and Verizon buy from each other preferentially. Whereas pre-merger each market in AT&T and Verizon territory had 3 large potential backhaul customers (AT&T or Verizon plus T-Mobile and Sprint), now there would be only 1 (Sprint), making it impossible in most instances for an insurgent provider to deploy new infrastructure and achieve the density of demand required to thrive. Therefore Sprint, which is only now deploying Ethernet backhaul nationally, will have little choice but to purchase backhaul from providers that have already deployed Ethernet to sites where it is located. In AT&T and Verizon territory, that provider is in the vast majority of cases only the incumbent LEC. The same will be true of smaller wireless providers. Therefore in AT&T and Verizon incumbent LEC territory, the ILEC will grow its share of the backhaul market because it is the only entity for which the vast majority of new builds to cell towers will be economically viable. Outside of AT&T and Verizon territory, the situation is less severe, since the number of significant potential customers is reduced from 4 to 3, so competition is still feasible. It should be noted that the demand from smaller wireless carriers is much smaller and they do not generally purchase large enough capacity to justify building to a new cell site. However, T-Mobile was a pioneer in buying from alternative backhaul suppliers, while AT&T and Verizon have awarded a significant portion of their business to the ILEC even in areas where neither is the ILEC. Thus, removal of T-Mobile as an independent buyer removes much more than 25% of the potential demand for competitive backhaul providers, because it makes the business case for many new site builds untenable. Finally, post-merger, all backhaul providers must speculate about the long term viability of Sprint and regional wireless operators if the merger is approved. Their projected revenues will be assigned a reduced probability over the medium to long term, resulting in fewer sites having a second backhaul provider available.

4. The FCC Staff asked TTM to elaborate on its assertion that it is necessary for an independent backhaul provider to serve 1-1/2 or more carriers per site. This is a matter of basic economics of a high fixed cost, low variable cost business as well as reasonable recovery of invested capital. ***BEGIN CONFIDENTIAL***

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5. The FCC Staff asked TTM to explain how providing special access (backhaul) to cell sites is different from providing special access to buildings. First, from the backhaul provider's point of view, the demand at a cell site is highly limited due to the collocation of wireless carriers on a site. A backhaul provider does well to serve 2 customers per cell site on average, with a typical revenue of ***BEGIN CONFIDENTIAL *** ***END CONFIDENTIAL*** per customer per month. As a result, cell sites rarely are served by more than two backhaul providers as there simply is not enough revenue opportunity to warrant construction of facilities by more backhaul providers. In office buildings or office parks, there are often many more potential customers, and it is more common that there are three or more special access providers due to overall higher demand for data services and total revenue opportunity. In addition, cell sites tend to be more isolated than buildings. A carrier that is providing special access to an office building may be in a good position to serve the office building down the block or across the street. That is not often the case with cell sites which by design are scattered across a geographic area. As a result, competitive backhaul providers at cell sites are often specialists in cell site backhaul, and like TTM, do not provide special access to other locations except if it is on or near the route to a cell site.

Second, from the perspective of the wireless carrier, the existence of carriers that provide special access to buildings is of little interest. Many special access providers do not serve any cell sites at all. Cell sites are often not near their routes, and if a few cell sites happen to be near their routes, the lack of scale (e.g., number of sites available) makes it uneconomical for a wireless carrier to purchase backhaul from them. They therefore do not provide a competitive alternative to the incumbent LEC for backhaul, but instead focus on commercial buildings where the demand and return opportunity is higher.

Sincerely yours,

/s/ electronically signed

Eric J. Branfman

Counsel to Telecom Transport Management, Inc.

cc: (by email)

Gregory Rosston
Melissa Tye
Patrick DeGraba
Paul Murray
Weiren Wang
Joel Rabinovitz